

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986

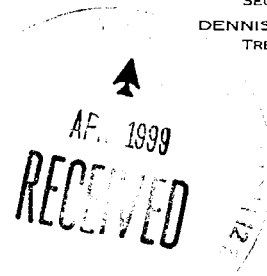


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March 30, 1999

Minerals Management Service
Royalty Management Program
Rules and Publication Staff
PO Box 25165, MS 3021
Denver, Co 80225-0165



Re: Comments on Revising Form MMS 2014

Thank you for the opportunity to comment on the proposed revision of form MMS-2014. In 1998, Yates Petroleum Corporation paid federal royalties on 860 AID numbers. As Revenue Manager any proposed changes to this form are of extreme interest to me.

Despite the merits of the proposed changes, the timing of this proposal is troubling. The oil and gas industry is in the midst of a severe economic downturn. Revising both forms 2014 and 3160 is an expensive and labor intensive effort. To propose changes at this time gives the appearance of a government agency oblivious to the financial problems facing the industry it regulates.

Reporting Concepts

1. Elimination of the Form MMS-4025.

I applaud the recommendation to eliminate Form MMS-4025 (PIF). Your statement that the Form MMS-2014 can establish much of the data currently provided via the PIF is accurate.

2. Product Valuation

I have no objection to reporting by 'contract type.' However your comment 'Most payors will not have sales from more than one contract type...on a lease' is not accurate. Industry pools and sells a large amount of gas production today under several different contract types. All of Yates' New Mexico Dagger Draw field production, which encompasses hundreds of federal leases, is pooled and sold under both POP and spot contracts. Therefore each lease contributing gas to the pool will have multiple contract types each month.

The MMS proposes requiring that 'multiple sales occurring during a month, but within a single criteria, will be reported as one line.' I oppose this requirement. Yates Petroleum stopped combining transactions several years ago. We did so because reversing the last line reported was very difficult when composed of multiple sales. Additionally during an audit, industry will most certainly be required to break this transaction down into its individual components. The decision to roll up or not belongs with the payor.

Reporting Adjustments

The ability to 'net' adjustments would be a welcome change. It would also remove one of my concerns regarding rolled up sales transactions.

19. Unit Price

This field is prone to the same abuse as the Quality Measurement field. Will the MMS eventually adopt an acceptable price range as they did btu? Will a transaction reject if it is not within the accepted range? Will the MMS demand documentation on a monthly basis to justify the 'unacceptable' price?

The proposal states that the unit price calculate based on MCF or MMBtu "depending on the terms of the contract." This requirement adds significant complexity to the program as well as inconsistency. All unprocessed and residue gas should be per MMBtu.

Agreement Level Reporting

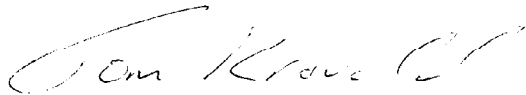
My objection to this level of reporting is the same as rolling up transactions by contract type. At some point the MMS will require the payor to roll down the amount reported for audit verification. The decision to roll up or not belongs with the payor.

Report Format and Presentation

According to our programmer, the landscape format (Attachment B) is always easier to program than portrait.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tom Kravchak".

Tom Kravchak
Revenue Manager